



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
SCOTT COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 1998

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Sarah Jane Schaaf, Secretary, Revenue Cabinet
Honorable George H. Lusby, County Judge/Executive
Members of the Scott County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Scott County, Kentucky, as of June 30, 1998, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Scott County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Scott County, Kentucky prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Scott County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 1998, in conformity with the cash basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Sarah Jane Schaaf, Secretary, Revenue Cabinet
Honorable George H. Lusby, County Judge/Executive
Members of the Scott County Fiscal Court

Our audit was performed for the purpose of forming an opinion on the financial statements of Scott County, Kentucky, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements. The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present a schedule of Comments and Recommendations, included herein, which discusses the following area of noncompliance:

- The County Should Have Required Depository Institutions To Pledge Additional Securities Of \$493,282 As Collateral To Protect Deposits

In accordance with Government Auditing Standards, we have also issued our report dated May 14, 1999, on our consideration of Scott County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 14, 1999

SCOTT COUNTY OFFICIALS

Fiscal Year Ended June 30, 1998

George H. Lusby	County Judge/Executive
J. Clay McKnight	County Attorney
Donna Perry	County Clerk
Martha Michell	Circuit Court Clerk
Bobby Hammons	Sheriff
Virgil Sageser	Jailer
Emily Jane Rankin	Property Valuation Administrator
Robert W. Ward	County Treasurer
Marvin S. Yocum	Coroner
Jim McClanahan	Magistrate
Jack Wise	Magistrate
John T. Hoffman	Magistrate
Tom Prather	Magistrate
Bobby Rankin	Magistrate
Gary Perry	Magistrate
Anna Isaacs	Magistrate

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

SCOTT COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1998

Assets and Other Resources

Assets

General Fund:	
Cash	\$ 396,981
Investments	8,200,000
Road and Bridge Fund:	
Cash	30,794
Jail Fund:	
Cash	2,097
Jail Commissary Fund:	
Cash	4,912
Local Government Economic Assistance Fund:	
Cash	52,245
Community Development Block Grant Fund:	
Cash	61,938
Community Development Block Grant Revolving Fund:	
Cash	10,492
Notes Receivable (Note 4)	31,276
McCracken Trust Fund:	
Cash	1,610
Investments	74,000
John Graves Ford Memorial Hospital Fund:	
Cash	77,236
Investments	328,000
Municipal Properties Corporation Courthouse	
Bond Fund:	
Paying Agent	73
Public Properties Corporation Fund:	
Cash	137
Investments	3,245,000
Payroll Account - Cash	3,229

Other Resources

Public Properties Corporation Fund:	
Amounts to be Provided in Future Years for Bond Principal Payments	3,849,863
Total Assets and Other Resources	<u>\$ 16,369,883</u>

The accompanying notes are an integral part of the financial statements.

SCOTT COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 1998
 (Continued)

Liabilities and Fund Balances

Liabilities

Municipal Properties Corporation Courthouse

Bond Fund:

Interest Matured and Unpresented	\$ 73
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Public Properties Corporation Fund:

Bond Principal Not Matured (Note 5)	7,095,000
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Community Development Block Grant Revolving

Loan Fund:

Deferred Revenue (Note 4)	31,276
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Payroll Account	3,229
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Fund Balances

Reserved:

Jail Commissary Fund	4,912
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Community Development Block Grant Fund	61,938
--	--------

Community Development Block Grant Revolving Fund	10,492
--	--------

McCracken Trust Fund	75,610
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John Graves Ford Memorial Hospital Fund	405,236
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Unreserved:

General Fund	8,596,981
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Road and Bridge Fund	30,794
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Jail Fund	2,097
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Local Government Economic Assistance Fund	52,245
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Total Liabilities and Fund Balances	<u>\$ 16,369,883</u>
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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

SCOTT COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1998

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 15,989,365	\$ 13,484,078	\$ 830,438	\$ 615,516
Transfers In	3,074,595		1,620,000	961,000
Bond Proceeds	3,364,011			
Jail Commissary Fund Receipts	59,603			
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Cash Receipts	<u>\$ 22,487,574</u>	<u>\$ 13,484,078</u>	<u>\$ 2,450,438</u>	<u>\$ 1,576,516</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 13,000,142	\$ 8,270,737	\$ 2,443,785	\$ 1,290,646
Public Properties Corporation Expenditures	57,855			
Transfers Out	3,074,595	2,790,024		284,571
Bonds:				
Principal Paid	210,000			
Interest Paid	347,021			
Jail Commissary Fund Expenditures	64,360			
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Cash Disbursements	<u>\$ 16,753,973</u>	<u>\$ 11,060,761</u>	<u>\$ 2,443,785</u>	<u>\$ 1,575,217</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 5,733,601	\$ 2,423,317	\$ 6,653	\$ 1,299
Cash Balance - July 1, 1997*	<u>6,751,914</u>	<u>6,173,664</u>	<u>24,141</u>	<u>798</u>
Cash Balance - June 30, 1998*	<u>\$ 12,485,515</u>	<u>\$ 8,596,981</u>	<u>\$ 30,794</u>	<u>\$ 2,097</u>

* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

SCOTT COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 1998
 (Continued)

Jail Commissary Fund	Local Government Economic Assistance Fund	Community Development Block Grant Fund	Community Development Block Grant Revolving Fund	McCracken Trust Fund	John Graves Ford Memorial Hospital Fund
\$	\$ 89,791	\$ 858,254 75,000	\$ 11,025	\$ 3,650	\$ 19,209
59,603					
\$ 59,603	\$ 89,791	\$ 933,254	\$ 11,025	\$ 3,650	\$ 19,209
\$	\$ 98,946	\$ 871,316	\$ 8,686	\$ 2,484	\$ 13,542
64,360					
\$ 64,360	\$ 98,946	\$ 871,316	\$ 8,686	\$ 2,484	\$ 13,542
\$ (4,757) 9,669	\$ (9,155) 61,400	\$ 61,938	\$ 2,339 8,153	\$ 1,166 74,444	\$ 5,667 399,569
\$ 4,912	\$ 52,245	\$ 61,938	\$ 10,492	\$ 75,610	\$ 405,236

SCOTT COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Municipal Properties Corporation Courthouse Bond Fund	Public Properties Corporation Fund
<u>Cash Receipts</u>		
Schedule of Operating Revenue	\$ 18	\$ 77,386
Transfers In		418,595
Bond Proceeds		3,364,011
Jail Commissary Fund Receipts		
Total Cash Receipts	<u>\$ 18</u>	<u>\$ 3,859,992</u>
<u>Cash Disbursements</u>		
Comparative Schedule of Final Budget and Budgeted Expenditures	\$	\$
Public Properties Corporation		
Expenditures		57,855
Transfers Out		
Bonds:		
Principal Paid		210,000
Interest Paid		347,021
Jail Commissary Fund Expenditures		
Total Cash Disbursements	<u>\$ 0</u>	<u>\$ 614,876</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 18	\$ 3,245,116
Cash Balance - July 1, 1997*	<u>55</u>	<u>21</u>
Cash Balance - June 30, 1998*	<u><u>\$ 73</u></u>	<u><u>\$ 3,245,137</u></u>

SCOTT COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 1998

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Scott County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Jail Commissary Fund, Municipal Properties Corporation Courthouse Bond Fund, and Public Properties Corporation Fund as part of the reporting entity.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Scott County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

Note 1. (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.21 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The county entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of February 28, 1998, the uncollateralized amount on deposit was \$493,282. The pledged securities and FDIC insurance did not equal or exceed the amount on deposit.

Note 3. Deposits (Continued)

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of February 28, 1998.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county's name	\$ 3,927,340
Uncollateralized and uninsured	<u>493,282</u>
Total	<u><u>\$ 4,420,622</u></u>

Note 4. Receivable

During project year 1984, CDBG No. B-84-DC-21-(003) for \$125,000 was awarded to Scott County and C & D Products Company for a new facility project. C & D Products Company is obligated to repay Scott County CDBG Revolving Fund \$125,000 at a 5 percent interest rate over 180 monthly payments. The C & D Products Company makes monthly payments of \$988 and is in substantial compliance with the terms of the agreement.

The total note receivable of the Community Development Block Grant Revolving Fund at June 30, 1998, is \$31,276.

Note 5. Long Term Debt

- A) In January 1990, Scott County Public Properties Corporations Fund issued \$4,950,000 of lease revenue bonds series 1990. The proceeds were used to pay for construction of the Scott County Jail and Justice Complex. In September 1997 these bonds were refinanced by bond series 1997 which will refund outstanding 1990 series bonds maturing on and after January 1, 2002 to 2010.

Interest is payable semi-annually on January 1 and July 1 and principal is due on January 1 in the amounts stated below.

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
1998-1999	\$ 255,610	\$ 205,000
1999-2000	242,285	220,000
2000-2001	227,875	235,000
2001-2002	212,365	250,000
2002-2003	195,615	270,000
2003-2004	177,390	290,000

Note 5. Long Term Debt (Continued)

- A) (Continued)

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004-2005	\$ 157,670	\$ 310,000
2005-2006	136,280	330,000
2006-2007	113,180	355,000
2007-2008	87,975	380,000
2008-2009	60,995	410,000
2009-2010	31,680	440,000
Totals	<u>\$ 1,898,920</u>	<u>\$ 3,695,000</u>

- B) In September 1997, Scott County Public Properties Corporations Fund issued \$3,415,000 of lease revenue refunding bonds series 1997. The bonds were issued in order to advance refunding of the outstanding 1990 bonds maturing on and after January 1, 2002 to 2010.

Interest will be payable semi-annually on January 1 and July 1 of each year starting January 1, 1998 and principal is due on January 1 of each year starting January 1, 1998 in the amounts stated below.

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
1998-1999	\$ 157,293	\$ 40,000
1999-2000	155,693	45,000
2000-2001	153,825	45,000
2001-2002	151,890	295,000
2002-2003	138,910	315,000
2003-2004	124,735	330,000
2004-2005	109,555	345,000
2005-2006	93,513	360,000
2006-2007	76,593	380,000
2007-2008	58,733	395,000
2008-2009	40,168	415,000
2009-2010	20,663	435,000
Totals	<u>\$ 1,281,571</u>	<u>\$ 3,400,000</u>

Note 5. Long Term Debt (Continued)

Debt Service requirements for fiscal year ending June 30, 1999 are as follows:

Totals	\$	<u>1,281,571</u>	,
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Interest	\$	412,903
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Note 6. Insurance

For the fiscal year ended June 30, 1998, Scott County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

SCOTT COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1998

<u>Budgeted Funds</u>	Budgeted Operating Revenue	Actual Operating Revenue	Over (Under) Budget
General Fund	\$ 5,109,385	\$ 13,484,078	\$ 8,374,693
Road and Bridge Fund	2,821,700	830,438	(1,991,262)
Jail Fund	1,857,718	615,516	(1,242,202)
Local Government Economic Assistance Fund	102,000	89,791	(12,209)
Community Development Block Grant Fund	2,183,388	858,254	(1,325,134)
Community Development Block Grant Revolving Fund	14,700	11,025	(3,675)
McCracken Trust Fund	2,500	3,650	1,150
John Graves Ford Memorial Hospital Fund	15,000	19,209	4,209
Total	<u>\$ 12,106,391</u>	<u>\$ 15,911,961</u>	<u>\$ 3,805,570</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 12,106,391
Add: Budgeted Prior Year Surplus			5,037,000
Less: Other Financing Uses			<u>(418,595)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 16,724,796</u>

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SCHEDULE OF OPERATING REVENUE

SCOTT COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1998

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Revenue From Local Taxes and Excess Fees</u>				
Sheriff:				
Taxes	\$ 915,510	\$ 915,510	\$	\$
Franchise Corporation Taxes	71,012	71,012		
Excess Fees	435,383	435,383		
County Clerk:				
Deed Transfer Tax	111,537	111,537		
Motor Vehicle Licenses	227,545	227,545		
Delinquent Taxes	25,498	25,498		
Excess Fees	383,118	383,118		
Tangible Personal Property Taxes:				
Other Counties	38,501	38,501		
County Clerk	67,929	67,929		
Occupational Employment Tax	7,855,551	7,855,551		
Bank Franchise Deposit Tax	39,061	39,061		
Net Profit Tax	1,922,474	1,922,474		
Telephone 911 Surcharge	80,369	80,369		
Totals	<u>\$ 12,173,488</u>	<u>\$ 12,173,488</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>U.S. Treasurer</u>				
Housing Prisoners	<u>\$ 316,799</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 316,799</u>
<u>Federal Receipts - State Treasurer</u>				
Disaster and Emergency Assistance				
Grant - Coordinator Salary	\$ 4,525	\$ 4,525	\$	\$
Community Development Block				
Grants - Waterline Extensions				
Project	758,254			
Disaster and Emergency Assistance				
Grant - 1997 Flood Relief	1,381	1,381		
Totals	<u>\$ 764,160</u>	<u>\$ 5,906</u>	<u>\$ 0</u>	<u>\$ 0</u>

SCOTT COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Public Properties Corporation Fund
Revenue From Local Taxes <u>and Excess Fees</u>	
Sheriff:	
Taxes	\$
Franchise Corporation Taxes	
Excess Fees	
County Clerk:	
Deed Transfer Tax	
Motor Vehicle Licenses	
Delinquent Taxes	
Excess Fees	
Tangible Personal Property Taxes:	
Other Counties	
County Clerk	
Occupational Employment Tax	
Bank Franchise Deposit Tax	
Net Profit Tax	
Telephone 911 Surcharge	
Totals	\$ 0
<u>U.S. Treasurer</u>	
Housing Prisoners	\$ 0
<u>Federal Receipts - State Treasurer</u>	
Disaster and Emergency Assistance	
Grant - Coordinator Salary	\$
Community Development Block	
Grants - Waterline Extensions	
Project	
Disaster and Emergency Assistance	
Grant - 1997 Flood Relief	
Totals	\$ 0

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SCOTT COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1998
(Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Kentucky State Treasurer</u>				
Jail:				
Allotments	\$ 69,034	\$	\$	\$ 69,034
Medical Allotments	14,187			14,187
DUI Service Fees	7,864			7,864
Jail Bond Acceptance Fees	5,735			5,735
Court Costs, Jail Operation	42,733			42,733
Controlled Intake	109,818			109,818
County Road Aid	643,773		643,773	
Public Defender Allotment	24,352	24,352		
Truck License Distribution	151,651		151,651	
Recouped Public Defender Fees	9,096	9,096		
Base Court Revenue	52,952	52,952		
Courthouse Rental - Administrative				
Office of the Courts	183,047	183,047		
Refunds:				
Legal Process Tax	202	202		
Drivers License	2,801		2,801	
Dog License	882	882		
Severance Taxes:				
Coal	29,704			
Mineral	59,054			
Board of Assessments	400	400		
Grants:				
Area Development	20,892	20,892		
Disaster and Emergency Assistance Grant -				
Coordinator Salary	1,246	1,246		
Disaster and Emergency Assistance Grant -				
1997 Flood Relief	5,526	5,526		
Firefighter Incentive Pay	41,541	41,541		
Totals	\$ 1,476,490	\$ 340,136	\$ 798,225	\$ 249,371

SCOTT COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

Local Government Economic Assistance Fund	Community Development Block Grant Fund	Community Development Block Grant Revolving Fund	McCracken Trust Fund	John Graves Ford Memorial Hospital Fund	Municipal Properties Corporation Courthouse Bond Fund
\$	\$	\$	\$	\$	\$
29,704					
59,054					
<u>\$ 88,758</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

SCOTT COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Public Properties Corporation Fund
<u>Kentucky State Treasurer</u>	
Jail:	
Allotments	\$
Medical Allotments	
DUI Service Fees	
Jail Bond Acceptance Fees	
Court Costs, Jail Operation	
Controlled Intake	
County Road Aid	
Public Defender Allotment	
Truck License Distribution	
Recouped Public Defender Fees	
Base Court Revenue	
Courthouse Rental - Administrative	
Office of the Courts	
Refunds:	
Legal Process Tax	
Drivers License	
Dog License	
Severance Taxes:	
Coal	
Mineral	
Board of Assessments	
Grants:	
Area Development	
Disaster and Emergency	
Assistance Grant -	
Coordinator Salary	
Disaster and Emergency	
Assistance Grant -	
1997 Flood Relief	
Firefighter Incentive Pay	
Totals	\$ 0

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SCOTT COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Miscellaneous Revenue</u>				
Interest	\$ 437,789	\$ 333,710	\$ 2,631	\$
Circuit Court Clerk:				
Boarding Fees	7,973			7,973
Work Release	17,121			17,121
Jail:				
Telephone Commission Refunds	21,945			21,945
Community Development Block				
Grant Loan Repayments -	10,873			
Foot Patrol	66,496	66,496		
Georgetown Municipal Water -				
Waterline Extension Project	100,000			
Licenses and Permits:				
Building Permits	63,856	63,856		
Dog License Fees	1,000	1,000		
Electrical Permit Fees	1,828	1,828		
Electrical Licenses	12,545	12,545		
Electrical Inspection Fees	120,180	120,180		
Cable T.V. Franchise	14,335	14,335		
Charges for Services:				
Animal Adoption Fees	21,094	21,094		
Vending Machine Commission	102		102	
Reimbursements:				
Insurance	4,501	2,263	2,238	
Telephone	6,181	6,181		
Other	303,025	291,543	9,175	2,307
Recycling Fees	14,127	14,127		
Surplus Machinery/Equipment Sales	18,067		18,067	
Rentals and Leases	9,545	9,545		
Miscellaneous Items	5,845	5,845		
Totals	\$ 1,258,428	\$ 964,548	\$ 32,213	\$ 49,346
Total Operating Revenue	\$ 15,989,365	\$ 13,484,078	\$ 830,438	\$ 615,516

SCOTT COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1998
(Continued)

Local Government Economic Assistance Fund	Community Development Block Grant Fund	Community Development Block Grant Revolving Fund	McCracken Trust Fund	John Graves Ford Memorial Hospital Fund	Municipal Properties Corporation Courthouse Bond Fund
\$ 1,033	\$	\$ 152	\$ 3,650	\$ 19,209	\$ 18
		10,873			
	100,000				
<u>\$ 1,033</u>	<u>\$ 100,000</u>	<u>\$ 11,025</u>	<u>\$ 3,650</u>	<u>\$ 19,209</u>	<u>\$ 18</u>
<u>\$ 89,791</u>	<u>\$ 858,254</u>	<u>\$ 11,025</u>	<u>\$ 3,650</u>	<u>\$ 19,209</u>	<u>\$ 18</u>

SCOTT COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Public Properties Corporation Fund
<u>Miscellaneous Revenue</u>	
Interest	\$ 77,386
Circuit Court Clerk:	
Boarding Fees	
Work Release	
Jail:	
Telephone Commission Refunds	
Community Development Block	
Grant Loan Repayments -	
Foot Patrol	
Georgetown Municipal Water -	
Waterline Extension Project	
Licenses and Permits:	
Building Permits	
Dog License Fees	
Electrical Permit Fees	
Electrical Licenses	
Electrical Inspection Fees	
Cable T.V. Franchise	
Charges for Services:	
Animal Adoption Fees	
Vending Machine Commission	
Reimbursements:	
Insurance	
Telephone	
Other	
Recycling Fees	
Surplus Machinery/Equipment Sales	
Rentals and Leases	
Miscellaneous Items	
Totals	\$ 77,386
Total Operating Revenue	\$ 77,386

COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

SCOTT COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
Salaries-			
County Judge/Executive	\$ 48,342	\$ 48,341	\$ 1
Administrative Assistant	27,001	27,000	1
Executive Secretary	26,479	26,478	1
Secretary	22,548	22,298	250
Office of County Attorney:			
Salaries-			
County Attorney	21,014	21,014	
Office Staff	200,000	196,866	3,134
Office Materials and Supplies	12,000	11,473	527
Office of County Clerk:			
Salaries-			
County Clerk	48,342	48,341	1
Deputies	275,500	271,214	4,286
Temporary/Part-Time Help	35,000		35,000
County Clerk Expense Allocation	3,600	3,600	
Office Materials and Supplies	125,000	113,024	11,976
Postal Charges	30,000	21,871	8,129
Office of Sheriff:			
Salaries-			
Sheriff	48,342	48,341	1
Deputies	609,202	604,926	4,276
Overtime-Foot Patrol	75,000	53,082	21,918
Advertising Tax Bills			
Gasoline	45,000	27,309	17,691
Materials and Supplies	99,547	95,003	4,544
Postal	11,000	6,041	4,959
Motor Vehicles	70,453	70,452	1
Travel	5,000		5,000

SCOTT COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>General Government (Continued)</u>			
Office of County Coroner:			
Salaries-			
County Coroner	\$ 12,751	\$ 12,750	\$ 1
Deputy Coroner	9,601	9,600	1
Office Supplies	674	674	
Training	1,054	1,054	
Fiscal Court:			
Magistrates Salary	51,745	51,471	274
Fiscal Court Clerk Salary	3,289	3,288	1
Office of Property Valuation Administrator:			
Statutory Contribution	50,300	50,300	
Office of Board of Assessment Appeals:			
Per Diem	2,800	800	2,000
Office of County Treasurer:			
County Treasurer Salary	38,255	38,254	1
Data Processing Services	20,000	2,192	17,808
Data Processing Supplies	1,000		1,000
Office of County Finance Director:			
Salaries-			
County Finance Director	27,228	27,221	7
Payroll Clerk	25,518	25,379	139
Office of Tax Administration:			
Salaries -			
Tax Director	27,976	27,976	
Other Salaries	22,548	22,547	1
Refunds	65,000	29,926	35,074
Data Processing:			
Computer Programmer	2,506	2,505	1
County Law Library:			
Law Librarian Salary	600		600

SCOTT COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>General Government (Continued)</u>			
Elections:			
Per Diem-			
Election Commissioners	\$ 5,000	\$ 1,665	\$ 3,335
Election Officers	15,000	10,190	4,810
Election Ballot Instructions	15,000	11,221	3,779
Planning and Zoning:			
Matching Share	87,427	87,427	
Economic Development:			
Contribution-			
Scott United	30,000	30,000	
Fences	10,000	2,240	7,760
Special Projects	100,000	100,000	
Airport	50,000	50,000	
Courthouse:			
Salaries-			
Custodial Personnel	90,000	62,395	27,605
Temporary/Part-time Help	2,790		2,790
Legal Services	83,400	83,342	58
Cardone Center Rental	5,000	2,835	2,165
Custodial Supplies	10,000	2,195	7,805
Office Supplies	22,200	22,162	38
Travel and Training	9,100	6,632	2,468
Utilities	232,500	232,316	184
Maintenance and Repairs	32,500	29,102	3,398
Furniture and Fixtures	9,800	835	8,965
Payment to Government Agencies	15,892	12,208	3,684
Other County Properties:			
Contracted Services	1,800	1,800	
Justice Building:			
Utilities	30,000	25,228	4,772
Maintenance and Repairs	43,000	42,134	866

SCOTT COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>General Government (Continued)</u>			
Building Code Enforcement:			
Matching Share	\$ 127,096	\$ 127,096	\$
Electrical Inspector:			
Supervisor	32,700	32,593	107
Office Staff	50,710	49,317	1,393
Office Materials and Supplies	23,184	8,857	14,327
Training	8,000	7,125	875
Vehicle	18,000		18,000
Payment to Government Agencies	68,197	67,937	260
<u>Protection of Persons and Property</u>			
County Fire Department:			
Salaries-			
County Fire Chief	37,501	37,500	1
Firefighters	336,803	334,358	2,445
Incentive Pay	40,000	35,854	4,146
Volunteer Firefighters	83,000	53,981	29,019
Installation of Fire Plugs	12,000	5,239	6,761
Rental of Fire Plugs	50,000	30,724	19,276
Building Maintenance Supplies	35,200	35,186	14
Machinery and Equipment	80,000	57,691	22,309
Motor Vehicle Parts	22,200	22,105	95
Office Supplies	46,000	45,214	786
Other Materials	52,600	32,309	20,291
Disaster and Emergency Services:			
Salaries-			
Director	4,001	4,000	1
Secretary	19,064	18,754	310
Office Materials and Supplies	14,635	14,630	5
Utilities	1,533	1,532	1
Maintenance and Repair	1,362	1,362	
Communication Equipment	870	869	1

SCOTT COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>Protection of Persons and Property</u> <u>(Continued)</u>			
Ambulance Service:			
Matching Share	\$ 493,900	\$ 493,900	\$
Dispatching Services E-911:			
Salaries	257,493	257,490	3
Matching Grant - Commonwealth Attorney Grant	3,500	3,500	
Office of Public Defender:			
Contribution	36,432	36,431	1
Public Defender Program	12,000	12,000	
<u>General Health and Sanitation</u>			
Animal Shelter:			
Salaries	109,000	107,187	1,813
Animal Food and Supplies	8,300	8,185	115
Other Materials and Supplies	26,092	26,042	50
Dog Tags	1,500	1,364	136
Medical Services	16,500	16,469	31
Training	108	108	
Solid Waste Collection:			
County Coordinator Salary	24,856	24,856	
Recycling Center Construction	70,470		70,470
Matching Share	61,151	61,069	82
Solid Waste Commission	10,000	3,929	6,071
Office Supplies	2,800	2,395	405
Special Project-Cleanup	32,459	31,949	510
Training	3,000	347	2,653
Soil and Water Conservation:			
Contribution	24,000	24,000	
Special Project	30,000	30,000	

SCOTT COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>General Health and Sanitation (Continued)</u>			
<u>Social Services</u>			
Service to Indigents:			
Contribution	\$ 1,000	\$ 39	\$ 961
Senior Citizens Program:			
Program Support	65,633	65,633	
Rent	7,066	6,967	99
General Welfare:			
Checkpoint	9,000	9,000	
Cemeteries and Memorials:			
Cemetery Payments	75,000	6,865	68,135
Pauper Burials	1,000	1,000	
Other Social Service Programs:			
Contribution	78,180	74,846	3,334
Comprehensive Care Program	12,000	12,000	
Education	65,300	65,300	
<u>Recreation and Culture</u>			
Parks:			
Parks and Recreation Board	305,000	305,000	
Center of Town	70,000	70,000	
Capital Improvement	100,000	54,920	45,080
County Museum:			
Historic	22,251	22,251	
<u>Debt Service</u>			
Interest	5,976	137	5,839

SCOTT COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES
Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>Capital Projects</u>			
Capital Projects:			
Reservoir and Property Fire	\$ 300,000	\$ 175,577	\$ 124,423
Water Lines and Dam Replacement	1,400,000	1,191,885	208,115
<u>Administration</u>			
Contingent Appropriations:			
Reserve for Transfers	373,562		373,562
General Services:			
Per Diem and Fees			
Audit Services	20,000	12,339	7,661
Insurance - Liability	203,348	203,197	151
Memberships-			
County Judge's Association	3,004	3,003	1
ADD	2,000	1,950	50
KACO	1,200	900	300
NACO	1,000	409	591
Miscellaneous	1,000	535	465
Sadieville and Stamping Ground	170,000	151,784	18,216
Fringe Benefits:			
County Contributions-			
Social Security	210,000	168,149	41,851
Retirement	350,000	324,350	25,650
Life Insurance	8,000	4,994	3,006
Health Insurance	325,000	255,873	69,127
Worker's Compensation	160,000	63,061	96,939
Unemployment Insurance	40,000	14,781	25,219
Total Operating Budget	\$ 9,875,361	\$ 8,270,737	\$ 1,604,624
Other Financing Uses:			
Transfers to Public Properties			
Corporation Fund	134,024	134,024	
Total General Fund	\$ 10,009,385	\$ 8,404,761	\$ 1,604,624

SCOTT COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND</u>			
<u>Roads</u>			
Office of Road Supervisor/Engineer:			
Road Supervisor Salary	\$ 40,001	\$ 40,000	\$ 1
Road Maintenance:			
Salaries-			
Road Labor	639,999	587,973	52,026
Gasoline	75,000	29,168	45,832
Machinery and Equipment	470,000	356,054	113,946
Materials	1,150,000	1,076,198	73,802
Uniforms	8,600	6,520	2,080
Bridge Construction	150,000	109,825	40,175
<u>Administration</u>			
Fringe Benefits:			
County Contributions-			
Retirement	63,000	58,350	4,650
Social Security	51,600	44,677	6,923
Health Insurance	125,000	104,160	20,840
Life Insurance	2,500	1,506	994
Worker's Compensation	30,000	29,354	646
Unemployment Insurance	16,000		16,000
Total Road and Bridge Fund	<u>\$ 2,821,700</u>	<u>\$ 2,443,785</u>	<u>\$ 377,915</u>

SCOTT COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL FUND</u>			
<u>Protection to Persons and Property</u>			
Office of Jailer:			
Personnel Services-			
Salaries-			
Jailer	\$ 49,700	\$ 48,341	\$ 1,359
Jail Personnel	607,570	471,031	136,539
Other Staff	62,448	55,408	7,040
Operations-			
Cleaning Supplies	18,000	17,591	409
Food Preparation	3,000	544	2,456
Food	111,500	111,147	353
Jail Linens	3,000	1,011	1,989
Office Supplies	11,100	11,000	100
Utilities	70,000	66,717	3,283
Pest Control	1,000	440	560
Prisoner Clothing	3,000	2,276	724
Prisoner Hygiene	5,500	5,206	294
Routine Medical	90,000	75,920	14,080
Staff Uniforms	9,000	8,663	337
Staff Training	1,500		1,500
Staff Travel	1,000	324	676
Telephone	3,000	1,937	1,063
Miscellaneous Operating Expense	3,065	3,064	1
Maintenance-			
Building Repairs	22,000	6,115	15,885
Equipment Repairs	40,400	40,347	53
Communication	5,000	3,281	1,719
Data Processing	4,000	1,391	2,609
Food Service	1,500		1,500
Furniture and Fixtures	1,500	565	935
Motor Vehicle	1,500	616	884
Other Equipment	3,000	2,996	4

SCOTT COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL FUND (Continued)</u>			
<u>Protection to Persons and Property</u> <u>(Continued)</u>			
Juvenile Detention:			
Contracts with Other Counties	\$ 82,000	\$ 76,232	\$ 5,768
<u>Debt Service</u>			
Interest	45,429	21,623	23,806
<u>Administration</u>			
Contingent Appropriations:			
Reserve for Budget Transfers	25,935		25,935
Insurance - Liability	3,500	746	2,754
Association Dues	1,000	775	225
Fringe Benefits:			
County Contributions-			
Retirement	125,000	116,299	8,701
Social Security	55,000	39,983	15,017
Life Insurance	2,000	1,438	562
Health Insurance	73,000	72,619	381
Worker's Compensation	25,000	25,000	
Unemployment Insurance	3,000		3,000
Total Operating Budget	\$ 1,573,147	\$ 1,290,646	\$ 282,501
Other Financing Uses:			
Transfers to Public Properties Corporation Fund	284,571	284,571	
Total Jail Fund	\$ 1,857,718	\$ 1,575,217	\$ 282,501

SCOTT COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</u>			
<u>Transportation Facilities and Services</u>			
<u>Roads</u>			
Road Maintenance:			
Materials	\$ 160,000	\$ 98,946	\$ 61,054
<u>COMMUNITY DEVELOPMENT BLOCK GRANT FUND</u>			
Economic Development:			
Water Line	\$ 2,033,388	\$ 871,316	\$ 1,162,072
Reserve For Transfers	150,000		150,000
Total Community Development Block Grant Fund	\$ 2,183,388	\$ 871,316	\$ 1,312,072
<u>COMMUNITY DEVELOPMENT BLOCK GRANT REVOLVING FUND</u>			
Economic Development:			
Bluegrass Industrial Foundation	\$ 1,200	\$ 1,186	\$ 14
Chamber of Commerce	7,500	7,500	
Reserve For Transfers	10,000		10,000
Total Community Development Block Grant Revolving Fund	\$ 18,700	\$ 8,686	\$ 10,014
<u>McCRACKEN TRUST FUND</u>			
Service To Indigents:			
General Welfare	\$ 2,500	\$ 2,484	\$ 16

SCOTT COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JOHN GRAVES FORD MEMORIAL</u>			
<u>HOSPITAL FUND</u>			
Service To Indigents:			
General Welfare	\$ 90,000	\$ 13,542	\$ 76,458
Total Operating Budget - All Funds	\$ 16,724,796	\$ 13,000,142	\$ 3,724,654
Other Financing Uses:			
Transfers to Public Properties			
Corporation Fund	418,595	418,595	
TOTAL BUDGET - ALL FUNDS	<u>\$ 17,143,391</u>	<u>\$ 13,418,737</u>	<u>\$ 3,724,654</u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable George H. Lusby, County Judge/ Executive
Members of the Scott County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An
Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Scott County, Kentucky, as of and for the year ended June 30, 1998, and have issued our report thereon dated May 14, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Scott County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Scott County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record, and its distribution is not limited.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 14, 1999

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REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133



Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable George H. Lusby, County Judge/Executive
Members of the Scott County's Fiscal Court

Report On Compliance With Requirements Applicable To Each Major Program And Internal Control Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Scott County Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 1998. Scott County's major federal programs are identified in the Schedule of Expenditures of Federal Awards. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Scott County's management. Our responsibility is to express an opinion on Scott County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Scott County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Scott County's compliance with those requirements.

In our opinion, Scott County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1998.

Internal Control Over Compliance

The management of Scott County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Scott County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Honorable George H. Lusby, County Judge/Executive
Members of the Scott County's Fiscal Court
Report On Compliance With Requirements Applicable To Each Major Program
And Internal Control Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance (Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed –
May 14, 1999

COMMENTS AND RECOMMENDATIONS

SCOTT COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 1998

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Scott County.
2. One reportable condition relating to the audit of the financial statements is reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Scott County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal award programs for Scott County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Scott County reported in Part C of this Schedule.
7. The program tested as a major program included: CDBG-Northwest Scott County Rural Water Extension Project.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Scott County was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITION AND NONCOMPLIANCE

The County Should Have Required Depository Institutions To Pledge Additional Securities Of \$493,282 As Collateral To Protect Deposits

The county's deposits were not adequately secured by \$493,282 as of February 28, 1998. Under provisions of KRS 66.480(1)(d) and KRS 41.240(4), banks are required to provide pledges of securities as collateral for interest-bearing and noninterest-bearing deposits if either exceeds the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation. We recommend that the county require depository institutions to pledge sufficient securities as collateral to protect deposits at all times.

Management's Response:

I have talked with Dave Roberts, President of First National Bank, concerning their error in providing the required pledges. He assured me it was an error on their part and that it has been corrected and will not happen again. He, also, agreed to forward a letter stating their apology and assurance that it will be taken care of in the future.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

None

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SCOTT COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 1998

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>Cash Programs</u>		
<u>U.S. Department of Housing and Urban Development</u>		
Passed-Through State Department of Local Government: Community Development Block Grants- Northwest Scott County Rural Water Extension Project (CFDA # 14.228)	B-96-DC-21-001(045)	\$ 758,254
<u>U.S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs: Disaster and Emergency Assistance Grants- Coordinator Salary (CFDA #83.503)	Not Available	4,525
Flood Damage (CFDA #83.516)	Not Available	<u>1,381</u>
Total Cash Expenditures of Federal Awards		<u>\$ 764,160</u>

See Notes to Schedule of Expenditures of Federal Awards.

SCOTT COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 1998

Note 1 - Basis of Presentation

This schedule is presented on a cash basis.

Note 2 -As required by this grant agreement, all program moneys received by the recipient after the completion of all recipient grant activities shall be used by the recipient for community or economic development activities eligible for assistance under Title I of the Housing and Community Development Act of 1974, so specified in the Commonwealth of Kentucky's Community Development Block Grant Eligible Activities Policy Statement.

**CERTIFICATION OF COMPLIANCE – LOCAL
GOVERNMENT ECONOMIC ASSISTANCE PROGRAMS**

SCOTT COUNTY FISCAL COURT

Fiscal Year Ended June 30, 1998

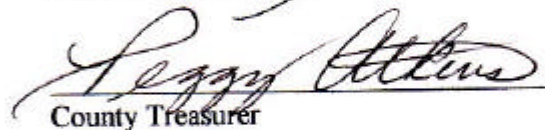
Appendix A

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
SCOTT COUNTY FISCAL COURT

Fiscal Year Ended June 30, 1998

The Scott County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Fund was expended for the purpose intended, as dictated by the applicable Kentucky Revised Statutes.


Judge Executive


County Treasurer